



## 1 Dividend Stock With Amazing Upside Potential

### Description

Looking through the long list of names trading on the TSX, it is hard to pick and choose stocks that will provide consistent returns over long periods of time, never mind predicting which stocks will have significant short-term upside potential. That said, it appears to me that a significant opportunity exists for investors looking for both short-term and long-term upside with a company that has largely flown under the radar on the Canadian exchange.

#### **Callidus Capital Corp.**

One of the lesser known and certainly less discussed Canadian lenders is **Callidus Capital Corp.** (TSX:CBL). This a company provides alternative lending to Canadian and U.S.-based mid-market companies and has recently been pursuing a privatization takeover.

A press release by Callidus on February 14 announced that it has entered non-disclosure agreements with 17 parties that are participating in the first stage of the privatization process. Two-thirds of Callidus is currently owned by **Catalyst Capital Group Inc.**, and the company is looking to wind down its investment in the lender while meeting its “minimum valuation threshold.”

This process started in the fourth quarter of last year, and the CEO has expressed that the privatization process should take about six months, which means we are now approaching the final stages of the process in which offers will be considered, and the company will undergo more rigorous private-equity analysis.

#### **What sort of value to expect**

**National Bank** recently provided a target price range for Callidus in the \$18-22 range, and it looks like the upper end of the range, plus some sort of premium, should be expected as a privatization offer.

Doing the math, if we expect a 10% premium over and above the upper end of the target price range for Callidus, we can expect a per-share price of \$24-25 to be achieved within the next six months, providing investors with a very nice, quick return should the privatization proceed as expected.

Should the privatization not pan out, investors may see the company's stock price stabilize for some time. Given Callidus's underlying fundamentals, including a very strong dividend and a relatively low valuation given the company's earnings and dividend history, investors can still expect to see pervasive strength with this name in the medium to long term.

Due to the stable stock price, the current dividend yield of almost 6.5% is very healthy and safe, providing investors with enough of an upside over the long term to justify an investment at current levels, which approximates a price-to-earnings ratio of 14.

Stay Foolish, my friends.

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